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DEPARTMENT FOR EUR/NCE; PLEASE PASS TO NSC FOR ADAM STERLING

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TAGS: PGOV KDEM HU

SUBJECT: MUSICAL CHAIRS; DISCORDANT VOICES: PARLIAMENT
RETURNS AS CABINET RESHUFFLE LOOMS

Classified By: P/E COUNSELOR ERIC V. GAUDIOSI: REASONS 1.4 (B) AND (D)

¶1. (SBU) Summary: Although it was only opening day, Hungarian MPs) and protestors - were in mid-season form as the spring session began February 11. The governing coalition reaffirmed its support for PM Gyurcsany's health care reforms amidst heated rhetoric, but talk of a cabinet "pre-shuffle" is dominating conversation on the margins. End Summary.

NEWS ... BUT NOT NEW

¶2. (SBU) There was very little new in the opening session of Parliament. Despite a rare voice vote requested by the opposition, the MSzP bloc voted for a slightly amended version of PM Gyurcsany's health care reforms with only one defection. The government also held serve in voting down an opposition proposal to approve another public referendum on health care.

¶3. (SBU) The tone of debate was also familiar. Responding to criticism from MDF Party President Ibolya David, PM Gyurcsany reportedly questioned how she "could try to act as if she is above politics when she is the leader of a party." FIDESZ Faction Leader Tibor Navracsics resumed his running critique of the government, asking why the PM "can't give interviews in the foreign press without having to ask for retractions." He privately described the Prime Minister as "like a child who has disassembled a toy and now can't put it back together."

¶4. (U) Several hundred protestors also returned to demonstrate in front of Parliament, with police deploying pepper spray and tear gas to disburse the crowd in the late evening.

CABINET "PRESHUFFLE" TAKES SHAPE

¶5. (SBU) Talk in the halls of Parliament, meanwhile, has turned increasingly to what could amount to a slow but significant cabinet shake-up. The latest move is the announcement that Gyurcsany ally Tibor Draskovics will move from his current position as Minister without Portfolio in the Prime Minister's Office to replace Minister of Justice and Law Enforcement Albert Takacs.

¶6. (C) A law professor and former human rights ombudsman, Takacs was a compromise candidate for the position but remained the odd man out throughout his brief tenure. He clashed publicly with President Solyom in defending the performance of the police during the demonstrations of 2007, but never appeared to develop a close relationship with the Prime Minister or a comfort level with the Ministry rank-and-file. He confided to us months ago that "even my wife is tired of hearing me complain about my job."

¶7. (C) Draskovics, by contrast, is a long-time Gyurcsany associate. (Navracsics asked archly "what does he know about Gyurcsany that keeps winning him jobs?") A former Minister of Finance, he was recently rumored to be headed to Price Waterhouse-Coopers and will likely bring considerable clout to the Ministry. This will strengthen their hand on anti-corruption efforts, but the move may also leave the PM weaker in his own office, particularly as press coverage characterizes Draskovics as losing out in his conflict with Cabinet Minister) and Gyurcsany rival) Peter Kiss. Kiss was reportedly behind rumors of Gyurcsany's resignation last week, and according to government spokespersons the PM will focus increasingly on political strategy while leaving administrative implementation to Kiss. (Note: It is unclear how this division will work in practice, and press reports make reference to Kiss being "capable of serving as Prime Minister in an emergency." End Note.)

¶8. (C) These changes follow the recent resignation of long-time Chief of Staff Zoltan Gal (and may not end with Takacs' departure. Many believe the "pre-shuffle" is a preview of broader changes following the March 9 referendum. Tibor Navracsics believes that reformist Development Minister Gordon Bajnai will move on after the referendum, Health Minister Agnes Horvath) consistently ranked as the least popular politician in Hungary - is reportedly living on borrowed time, and speculation in the media has both Minister of Education Istvan Hiller and Minister of Social Affairs and Labor Monika Lamperth slated for departure. Although the PM's new Chief of Staff, Adam Ficsor, downplayed the probability of further personnel changes, political scientist Zoltan Kiszelly advises us to "watch how few friends the PM has left in the Prime Ministry."

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A MORE USER-FRIENDLY APPROACH FROM THE PM?

¶9. (C) Both sides will have shown their hands by next week. FIDESZ leader Viktor Orban's February 12 "State of the Nation" address continued to condemn "six years of Socialist misrule," and the PM will respond with remarks to Parliament on February 18. Having the Prime Minister effectively respond to the opposition is curious, and opposition leaders predict that the Prime Minister will appeal for "new politics" in 2008. Gyurcsany has been previewing a new agenda in closed meetings with the MSzP leadership) albeit to mixed reviews. Ficsor indicates that the PM is likely to propose modest initiatives in light of Hungary's "conservative budgetary projections," but predicted that his message on "tax relief," his intention to invest the savings from the convergence plan, and his more consultative approach would be "very welcome to the international business community." Although he expressed confidence in both Gyurcsany's popularity at the grass roots level as well as the soundness of "progressive initiatives" in place of "old-fashioned liberalism," Ficsor minimized expectations for the PM's upcoming address. The goal is still fundamental economic and social reform, he concluded, but the Prime Minister's speech would "set a broad direction" for the upcoming Parliamentary session rather than "regain his credibility all at once."

¶10. (C) Comment: Gyurcsany's reported new approach notwithstanding, we see little chance of peace breaking out. Navracsics believes that the MSzP is making a strategic mistake in not moving to replace the PM now, commenting to the Ambassador February 8 that there would still be "plenty of time" to change horses before the 2010 elections. If the present personnel changes continue, however, Gyurcsany may find himself cut from the herd by rivals within the MSzP. End Comment.

FOLEY